

EX PARTE OR LITE FILED



Gary L. Phillips
Director of Legal Affairs
Washington Office

EX PARTE OR LITE FILED

February 5, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte Statement
Docket CCB/CCP 97-30
Reciprocal Compensation

Dear Ms. Salas:

On Thursday, February 5, 1998, Ms. Lynn Starr, Executive Director - Federal Relations, Mr. Jim Smith, Director - Federal Relations and I met with Mr. Paul Gallant, Legal Advisor to Commissioner Tristani to discuss Ameritech's position in the above referenced docket. The attached material was used as part of our discussion.

Sincerely,

A handwritten signature in cursive script that reads "Gary L. Phillips".

Attachment
cc: Paul Gallant

RECIPROCAL COMPENSATION TALKING POINTS

CCB/CCP 97-30

Reciprocal compensation applies to "traffic that originates and terminates within a local area."

FCC Has Always Treated ISP Traffic as Access Traffic

- Current treatment of ISP traffic dates back to 1983 when FCC created the Part 69 access charge regime. FCC decided to exempt ESPs from having to pay access charges. It did so on policy grounds - to avoid imposing rate shock on a fledgling industry.
 - Importantly, the FCC made it clear that *it nevertheless considered ESP traffic to be access traffic*: "Among the variety of users of access service are . . . enhanced service providers[.]"
- *Since then the FCC has continued to characterize ESP traffic as access traffic*. In 1987, it issued an NPRM in which proposed to lift the ESP access charge exemption. Obviously, it could not and would not have done so if it considered this to be "local" traffic. And lest there be any doubt, this is what the Commission said in that NPRM:

"We are concerned that the charges currently paid by enhanced service providers do not contribute sufficiently to the costs of the exchange access facilities they use in offering their services to the public. As we have frequently emphasized in our various access charge orders, our ultimate objective is to establish a set of rules that provide for recovery of the costs of exchange access used in interstate service in a fair, reasonable, and efficient manner from all users of access service, regardless of their designation as carriers, enhanced service providers, or private customers. Enhanced service providers, like facilities-based interexchange carriers and resellers, use the local network to provide interstate services. To the extent that they are exempt from access charges, the other users of exchange access pay a disproportionate share of the costs of the local exchange that access charges are designed to cover." (2 FCC Rcd at 4306)

- The FCC ultimately had to maintain the ESP exemption due to tremendous political pressure. The R&O cites policy grounds for

continuing the exemption. Never did it suggest that the traffic was “local.”

- More recently, in the Access Reform Order the Commission again cited policy reasons to justify its decision to continue exempting ISPs from the access charge regime. It noted, for example, that, even with access reform, access charges are not, in all respects, cost-based. It also stated that LECs hadn’t shown that they would face uncompensated costs if ISPs continued not to pay access charges - a statement which, of course, is absurd if ISP traffic is not only exempt from access charges, but triggers recip comp obligations.
- Notably absent from these decisions is a determination that traffic to ISPs is, in fact local traffic, rather than access traffic. Instead, in each case, the Commission granted or perpetuated an *exemption* from the access charge regime based solely on pragmatic and political considerations regarding the impact of existing access charges on the ISP industry. Moreover, in each case, the Commission specifically held out the possibility that access charges, albeit perhaps a modified, more cost-based access charge might be applied in the future.
- The OPP Working Paper “Digital Tornado” recognizes that ISPs do not now pay access charges because of this access charge exemption:

“Because Internet access is understood to be an enhanced service under FCC rules, ISPs are treated as end users, rather than carriers, for purposes of the FCC’s interstate access charge rules. This distinction, created when the FCC established the access charge system in 1983, is often referred to as the “ESP exemption.” (at 50)

Calls to ISPs are not separate, “local” calls, but part of a single, interstate transmission

- CLECs - ignoring the reason ISPs do not pay access charges - claim that an Internet call actually consists of two calls - the call to the ISP and a separate call from the ISP to the Internet. They argue that an ISP’s use of LEC facilities is analogous to a call to a librarian, who checks on the availability of a book by querying a database, or a travel agent, who makes another call to make a reservation and then relays the information back to the customer. These claims are wrong.
- They are inconsistent with FCC’s own characterization of Internet traffic, wherein FCC made it clear that the user (not the ISP) accesses the Internet:

Non-Accounting Safeguards Order: "The Internet is an interconnected global network of thousands of interoperable packet-switched networks that use a standard protocol . . . to enable information exchange. An end-user may obtain access to the Internet from an Internet service provider, by using *dial-up or dedicated access* to connect to the Internet service provider's processor. The Internet service provider, in turn, *connects the end-user* to an Internet backbone provider that carries traffic to and from other Internet host sites."

OPP Working Paper 29 (Digital Tornado) describes in various places how *users* access internet sites (e.g. at 45: "One Internet "call" may connect the *user* to information both across the street and on the other side of the world[.]" "Users generally . . . access various Internet sites during the course of a single connection.") (See also at 18)

- They are also flatly inconsistent with longstanding principle that *for purposes of determining the boundaries of a communication, a communication "terminates" at its ultimate destination, not at an intermediate switching point.*
- Teleconnect:¹ LECs argued that service involved 2 calls because user had to dial two different numbers and since first end was provided by contract between AT&T and Teleconnect and second end was provided by contract with customer.

¹ Teleconnect background: When the CCL was first established, the originating and terminating CCL charges were the same. During the 1980s to prevent uneconomic bypass, the FCC decided to reduce originating CCL charges and raise the terminating CCL. 800 calls, though, presented a problem since 800 calls were usually terminated on a special access line (a closed end). To remedy situation, FCC held that for calls with just 1 open end, the higher CCL rate should be assessed on whichever end was open. AT&T then introduced ReadyLine service, which terminated on open end. To originating LEC, this looked like normal 800 call and it assessed higher CCL. To terminating LEC, it looked like MTS call, and it assessed higher CCL. FCC held that it was unlawful to assess higher CCL on both originating and terminating end and required accounting

Teleconnect provides nationwide 800 travel service. Call is initiated by end user on open end and is routed to AT&T Megacom 800 line. It is then carried by AT&T, delivered to LEC, which switches it to Teleconnect. Teleconnect then sends the call over a private line to the terminating LEC, which terminates the call on an open end. The caller must dial a second number at the Teleconnect switch. Teleconnect claims this is like ReadyLine - a single call. LECs claimed that there were two calls: the first 800 call which was placed on an open end and terminated on a closed end to Teleconnect's switch, followed by a second call, which originated on a closed end at Teleconnect's switch and terminated on an open end.

CCB: “[T]here is an assumption that an interstate communication extends from the inception of a call to its completion. We are guided by that principle here. Just as Commission regulation does not end with an intermediate switch, neither does the character of [a] call change at [an] intermediate switch.” ¶ 24.

FCC: “We agree with the Bureau that a caller using the Teleconnect ACA service is making a single call. As the Bureau correctly noted, both court and Commission decisions have considered the end-to-end nature of the communications more significant than the facilities used to complete such communications. . . . [T]he interstate communication itself extends from the inception of a call to its completion, regardless of any intermediate facilities.” ¶12.

“In general all of the defendants’ arguments ignore the fact that ACA service conveys a single communication from the caller to the called party. Indeed, from the caller’s point of view, any intermediate switching during the call is, as Teleconnect claims, ‘transparent.’ The record reflects that the user of ACA service intends to make a single call terminating not at the Teleconnect intermediate switch, where the Megacom link ends, but at the telephone line of the called party.” ¶ 14.

- BellSouth Voicemail Preemption Case: FCC rejected argument that a call to a voice mail service involves two separate, jurisdictionally distinct calls: (i) the call to the telephone company switch; and (ii) the call from the local switch to the voice mail apparatus. Rather, the FCC found that there is a single interstate communication, the jurisdictional boundaries of which were defined by the location of the caller and the voice-mail equipment the caller was accessing.

“[W]hen a caller is connected to BellSouth’s voice mail service . . . there is a continuous two-way transmission path from the caller location to the voice mail service.” ¶9

“The language of the Act . . . contradicts the narrow reading of our jurisdiction urged by the states that would artificially terminate our jurisdiction at the local switch and ignore the ‘forwarding and deliver of [the] communications’ to the ‘instrumentalities, facilities, apparatus and services’ that comprise BellSouth’s voice mail service. ¶ 11.

“Jurisdiction over interstate communications does not end at the local switchboard, it continues to the transmission’s ultimate destination.” ¶ 12

Calls to ISPs are technically identical to FG-A Access Service

- *There are characteristics of Internet traffic that are shared by local calls. For example, LECs carry this traffic over local interconnection trunks and ISPs return answer supervision. But none of the characteristics cited are unique to local traffic. All are shared by some form of interstate access traffic. For example, LECs provide FG-A over local interconnection trunks and IXC's return answer supervision. Likewise, LECs terminate interstate calls using remote call forwarding interim number portability arrangements over local interconnection trunks, and no one would suggest that such traffic is therefore "local." The trunks don't define the traffic.*
 - § 6.8.11 of our FG-A access tariff in Illinois: "Calls from end users to the seven digit local telephone numbers associated with Feature Group A Switched Access Service are subject to Telephone Company local and/or general exchange service tariff charges[.]"
- It has also been argued that LECs have treated the traffic as local for separations and ARMIS reporting purposes. The same was also true of FG-A for a period following implementation of the access charge rules. Also, until recently the amount of ISP traffic was believed to be small and would not have affected other rates given the rough justice nature of separations.

A Decision that CLEC Traffic is Local Would Make Terrible Public Policy

- Recip comp would not advance local competition; it may help some CLEC profits but it doesn't encourage CLEC entry into local business or residential markets. CLECs will enter those markets based on their business cases for local exchange services, not based on windfall profits from Internet traffic.
- In fact, the availability of recip comp for Internet traffic *reduces the incentive of CLECs to enter local mkts on a facilities basis, because if they serve an end user with their own switching, they don't get recip comp when they deliver traffic to an ISP.*
- *On the other hand, if CLEC resells Ameritech service and originates ISP traffic, which is handed off to another CLEC, Ameritech gets only the wholesale local exchange rate and it pays full recip comp.*
- Convergence of Internet and telephony. Qwest.
- FCC cedes jurisdiction over critical component of Internet traffic. Also precludes FCC from imposing some form of modified access charge or of phasing in access charges, as they are brought down to cost.

- The FCC's conclusion that existing access charges should not apply is not tantamount to a conclusion that no form of access charge is appropriate. *Digital Tornado*: "The notion of usage charges should be distinguished from current interstate access charges. . . . The real question is whether ISPs should pay some new cost-based usage charge."
- Inefficiencies: CLECs get far more than their costs or even the costs saved by ILECs. See Exhibit comparing payments w/terminating costs.
- MFN rights act perversely: in contrast to the forward looking economic cost methodology the FCC has embraced for other purposes, CLECs are able to obtain the rate that applies to the least efficient competitor, the competitor whose costs of terminating local traffic are highest.
- Recip comp was meant to establish a level playing field, not a windfall that is tantamount to a subsidy.
- Increases the subsidy that voice access makes to the Internet.

TELECOMMUNICATIONS

AT 7½¢ A MINUTE, WHO CARES IF YOU CAN'T HEAR A PIN DROP?

Why long-distance Internet calling is about to take off

How can Qwest Communications Corp. get away with charging just 7½¢ a minute any time for long-distance calling—the ultra-aggressive pricing it announced on Dec. 15? For one thing, according to President and Chief Executive Officer Joseph P. Nacchio, “Long distance is still the most profitable business in America, next to importing illegal cocaine.” As head of long-distance marketing for AT&T until last year, he should know.

Actually, Qwest can make its audacious offer—and still match AT&T’s 17% to 20% net margins—because it sends its traffic over a private fiber-optic network using Internet technology. That method, says Nacchio, is far more efficient than that of the conventional carriers. Indeed, if Qwest makes its mark in long distance, it won’t be for undercutting AT&T’s best all-day rate by 50%—it will be for proving that Internet-based calling can steal significant amounts of traffic from ordinary long-distance circuits.

EASY TO USE. Qwest’s offer heralds the coming of age of Internet telephony. Just a couple of years ago, making phone calls over the Internet was a challenge reserved for computer whizzes. Consumers still will have to dial a few extra digits to make cheap calls. But now, improved PC-based software and routers make it possible for Internet service providers to accept standard telephone and fax calls and send them over the Internet or private data networks and then back to the conventional phone network.

As a mass market develops, companies such as AT&T could lose millions of customers and billions in revenue to Internet calling. “In

the next 24 months, we’ll see a rapid migration,” predicts Nacchio. Between 1998 and 2001, as much as \$8 billion could be lost to Internet telephony, says Sim Hall, vice-president of research at Action Information Services of Falls Church, Va. “Internet telephony is going from novelty to mainstream next year,” agrees Jeffrey Kagan of consultants Kagan Telecom Associates.

Besides being more efficient than standard voice networks, which consume bandwidth even when there is silence during a call, the new networks also bypass conventional long-distance carriers, who must pay local-access charges and taxes. Such fees make up 40% of the typical long-distance charge, Hall notes.

Unlike the pioneers of Internet telephony, bigger companies like Qwest mostly route traffic over their own networks. That lets them manage capacity to avoid the scratchy sound and half-second delays of some Internet phone setups.

Qwest isn’t the only company with big ambitions in Net calling. WorldCom Inc.’s Internet division, UUNet, is taking aim at the \$92 billion fax market. Early next year, it will of-

fer nationwide faxing for 10¢ a minute, compared with the typical business rate of 15¢ a minute. International faxes to Britain will cost 19¢ a minute, half the average rate now.

Denver-based Qwest, which is building a \$2 billion nationwide fiber-optic network, will offer its 7.5¢ rate on calls anywhere in the continental U.S. starting in late January in nine western cities. The network will expand to 125 markets in early 1999, when Qwest’s national network is scheduled to be completed. Qwest also plans fax, videoconferencing, and other services.

Established long-distance providers are making their own forays with the new technology. In August, AT&T began offering domestic and long-distance calls from Japan at 40% off normal rates.

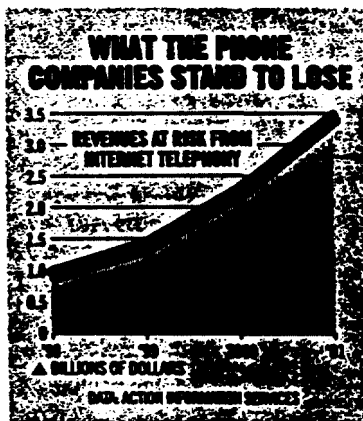
Japan’s Kokusai Den-shin Denwa Co. created a subsidiary offering similar services worldwide on Dec. 16.

MCI Communications Corp. and Deutsche Telekom are running trials.

While the data networks will help cut domestic long-distance rates, the big impact will be on international calls. The average long-distance call in the U.S. costs about 13¢ a minute, but the average international price is 89¢, Hall says. The gap has little to do with the extra cost of an international call, which is marginal. Rather, it reflects the pricing power of a small group of suppliers.

Hall predicts that phone company revenues per minute on international calls will fall more than 20% annually through 2001 and continue to decline. “The wheel has been set into motion,” says Hall. Nobody knows how far it will spin, but at this point, it looks as if consumers will be the winners.

By Steven V. Brull in Los Angeles, with Peter Elstrom in New York



Qwest's Nacchio calls long distance “the most profitable business in America, next to importing illegal cocaine”

Qwest To Offer IP-Based Long-Distance In Selected Cities

AIC Home Page	Other Ameritech Sites	First user's Guide		

Date: Tuesday, December 16, 1997

Source: Inter@ctive Week

Inter@ctive Week via Individual Inc. : Internet telephony should get a big commercial boost when Qwest Communications International Inc. starts offering long-distance at a low 7.5 cents per minute around-the-clock to customers in nine Western markets in late January.

"I think we're the first major company to offer phone-to-phone Internet telephony," Stephen Jacobsen, senior vice president for consumer markets, said Monday.

The service will be targeted at small businesses and consumers willing to trade off convenience for rates at least 25 percent below those typically offered by the big long-distance companies. A Qwest customer will have to dial a local number and then a password before the numbers for a given call. "Is it for everybody? Absolutely not," Jacobsen conceded, adding that his company is working to secure easy-to-remember access numbers and to reduce the amount of extra dialing customers must do.

Still, the service will be easier and more widely available than has been the case for Internet telephony, which in most cases requires a personal computer with a special voice card and demands the parties to schedule the call.

Qwest said it has overcome call-quality issues that have hampered Internet telephony by virtue of its use of data packets transmitted over a patchwork of networks, instead of the dedicated connections of the conventional switched phone systems. The keys are that Qwest's state-of-the-art fiber-optic network requires neither data compression nor conversion between different network technologies, Jacobsen said.

The initial markets are Anaheim, Los Angeles, Oakland, Sacramento, San Francisco and San Jose, Calif.; Denver; Kansas City, Kan.; and Salt Lake City. Qwest plans to increase the number of markets to 25 by mid-1998 and to 125 by early 1999. The rollout will follow the company's west-to-east network buildout to connect major population centers.

Regarding the potential size of the market, Jacobsen said only: "It's not a nit, that's for sure. How big a market it becomes, we'll have to see."

The 7.5-cent rate applies on state-to-state calls within the 48 contiguous states. In-state calls may be more or less expensive, depending on regulators' rate structures and competitive conditions, Jacobsen said. He said an announcement on international calling would be forthcoming.

net Techniques for Long-Distance Calls Promises Cost Revolution http://aic.ameritech.com:8080/1stbr/read_story_number/FIRST/971216/0/48

Under Qwest's approach, callers dial into a local Qwest access point, where their voices are transformed into digital packets of information and transmitted over the Qwest network. Once they reach their destination, the packets will be transformed back into ordinary voice signals and transferred to the conventional phone network.

By using Qwest's network instead of AT&T's or some other long-distance carrier's, the call avoids some or all of the access charges that local phone companies impose on conventional long-distance calls. Those charges account for a significant percentage of the cost of long-distance calls, and they also comprise a sizeable portion of the local phone companies' revenues.

Qwest's rate of about 7.5 cents per minute is about half what small businesses and consumers pay to make calls during business hours under the phone companies' typical plans. Promotional rates from the phone companies go as low as 10 cents a minute.

Qwest's network does not reach every part of the United States. But subscribers to the new service will be able to call anywhere in the country at no extra charge because Qwest will bear the cost of connecting to conventional phone networks where necessary.

Joseph P. Nacchio, president and CEO of Qwest, said, "We are fundamentally shifting the cost curve and the price curve for very much a mass-marketed, ubiquitous service."

Qwest's network uses Internet Protocol, the technique used to deliver information over the Internet. Nevertheless, it differs from Internet telephony services in several important respects.

The typical Internet phone service transmits calls from computer to computer, not phone to phone, and the sound quality tends to be poor because of the techniques used to speed the flow of the packets over the Internet. Qwest's network has so much capacity, Nacchio said, that it does not have to make compromises in sound quality in order to transmit calls.

At a cable TV industry trade show last week, several companies demonstrated that the sound quality of calls transmitted via Internet Protocol is no different from conventional phone calls if they travel on a high-capacity network. And Qwest is "probably one of the best positioned broadband facilities to see this (type of phone service) on, simply because it's new, it's fresh technology, it's low usage, and they've got the capability," said Barbara Ells, an analyst at Zona Research in Redwood City.

"What this will do," Ells added, "is spur the telephone companies to get into this (type of service) for their own protection." The phone companies also have to worry about the cable industry and its high-speed cable modems, which could likewise make inexpensive phone service possible.

Internet telephony has two distinct advantages over Qwest's service: It costs virtually nothing and it can be used internationally. Nacchio said that Qwest's plan is to expand its service eventually to include international calling, but first it must complete its network in the United States.

Launched in 1988 by railroad tycoon Philip Anschutz, Qwest began by laying its lines through Southern Pacific right-of-way. Nacchio said that that the new long-distance service was the first of many retail services that the company planned to launch.

Visit Mercury Center, the World Wide Web site of the San Jose Mercury News, at <http://www.sjmercury.com>

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Internet Techniques for Long-Distance Calls Promises Cost Revolution

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Date: Tuesday, December 16, 1997

Source: San Jose Mercury News

San Jose Mercury News via Knight-Ridder/Tribune via Individual Inc. : By Jon Healey, San Jose Mercury News, Calif.
Knight-Ridder/Tribune Business News

Dec. 15—Average consumers can glimpse a new era in low-cost telephone communication today, as Qwest Communications announces the first long-distance service that uses Internet techniques to transmit conventional phone calls.

The service, which is targeted at consumers and small businesses, will be available in late January in nine cities, including San Jose, San Francisco and Oakland. Judging from current industry prices, phone customers in those cities will find Qwest's service, at 7.5 cents a minute, far and away the least expensive option available to them.

Qwest is an upstart, Denver-based firm that is building an enormous fiber-optic network to serve much of the United States and Mexico. So far, its main line of business has been providing communications capacity wholesale to other phone companies.

Its move into retail long distance highlights how the communications industry is shifting, under the influence of computer technology, from a voice-oriented approach to a data-oriented approach. It also signals a new attack on the incumbent phone companies, both long distance and local, by firms that provide consumers a novel way to connect.

Indeed, the greatest threat to the phone companies may come from "broadband" networks like Qwest's, which can move information faster and more efficiently than the regional Bells or AT&T can. Numerous high-technology companies, including 3Com and Intel, are exploring ways to use the broadband cable TV networks to bypass conventional phone networks. Other companies are offering "Internet telephony," which transmits voices from computer to computer over the Internet at low cost — and, so far, low quality.

For their part, the phone companies are already beginning to respond to the competitive pressure, testing and introducing less expensive ways to move information over their networks at higher speeds. These include such data-oriented services as ADSL, or asymmetric digital subscriber line.

Qwest discussed its initiative in an interview with the Mercury News that came too late to obtain comment from competing services.



QWEST TO OFFER INTERNET-LIKE LONG DISTANCE SERVICE



Date: Wednesday, December 17, 1997
Source: COMMUNICATIONS DAILY

COMMUNICATIONS DAILY via Individual Inc. : Qwest will introduce Internet Protocol (IP) telephony service in Jan. in 9 cities, company said Mon. Long distance calls will require extra steps but will cost 7.5 cents per min. Quality and reliability will be on par with traditional service, Qwest said.

"Controlled introduction" will serve Anaheim, Denver, Kansas City (Kan.), L.A., Oakland, Sacramento, Salt Lake City, San Francisco, San Jose. Qwest expects to expand to 25 cities by summer and 125 when it completes 16,000-mile network in 2nd quarter of 1999. Currently, 3,350 miles are active and at least another 2,250 miles have been installed.

Consumers will have to make local call to Qwest network, enter password, then place long distance call. Company said "enormous bandwidth" of network allows it to send voice traffic without compression and avoid problems that have plagued IP telephony, such as latency — noticeable delays between speaking and hearing — and scratchy-sounding transmission. Service will be offered at flat rate considerably lower than those of competitors such as AT&T and MCI, yet spokeswoman Mary Strombey said it still will turn profit on IP calls.

Many hurdles still must be cleared for venture to succeed. Marketing of new service won't be easy or cheap, MCI spokesman Robert Hoskins said. He said consumers won't switch until they try service themselves and are comfortable with its quality. But he and others agreed that technology has bright future, only questions being when and for whom. MCI and AT&T have acknowledged that 50% of phone traffic will be on IP within 10 years and said they were studying making similar offers. UUnet already offers Internet-based fax services, which bypass long distance charges. Major hindrance to IP telephony has been reliance on slow, unreliable public Internet.

Denver-based company hasn't been known as phone service provider. Most of its revenues have come from construction and wholesaling its network to other carriers. Its 3rd-quarter revenue from commercial service, mostly unbranded dial-around, was only \$18.4 million, compared with \$156.5 million from construction. Qwest announced 5 deals in Oct. worth total of \$90 million to provide wholesale dark fiber.

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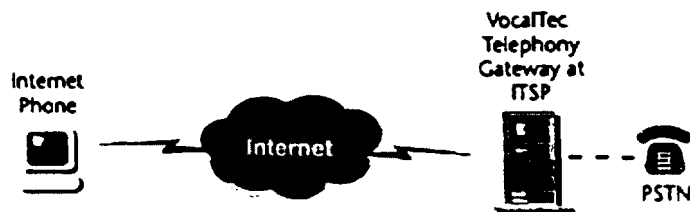
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Internet Phone 5's integration with VocalTec's revolutionary Telephony Gateway technology makes it possible to call a regular telephone over the internet. By signing up with an Internet Telephony Service Provider (ITSP), you take advantage of tremendous cost savings by sending your call over the Internet to the ITSP's VocalTec Telephony Gateway. The Gateway then sends your call over the Public Switched Telephone Network to a regular phone. The person you're calling doesn't even need to know the Internet exists!

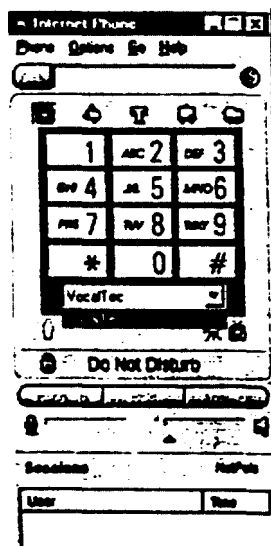


Choosing an ITSP and placing a call

Signing up for service is easy.

- Select a city or country you would like to call.
- Choose from the list of ITSP's who provide service to the region you selected and click the link to the ITSP's website.
- Subscribe to the ITSP from the Web.
- The ITSP will provide you with an Internet Phone Service file with a user name and password.
- Save the Internet Phone Service file to your hard drive.
- Dial the phone number in the call window and press the Call button.

After this initial set up process, making phone calls is as easy as dialing and clicking Call.



- Start Internet Phone and choose Phone/Menu or click the Dialer icon (shown in red). The Dialer window appears.
- Select the ITSP from the list appearing in the drop box under the keypad.
- Enter the country code, area code, and phone numbers either by using your keyboard or by clicking the numbers on the keypad with your mouse.
- Press the Call button to place your call.
- The VocalTec Telephony Gateway at the ITSP checks your username and password automatically to validate that you are authorized to use this gateway.

VocalTec Internet Phone 5.0 - Overview

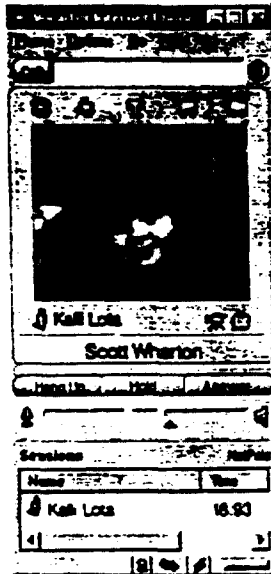
<http://www.vocaltec.com/products/iphone5/overview.htm>



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Calling from your PC throughout the world – even to your parents back home– without paying long distance?

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Making a face-to-face business meeting no matter where you are?

Having instant access to people around the globe who share the same interests as you?

Internet Phone Release 5, the latest of VocalTec's award winning products, sets a new standard in Internet Telephony software.

Multimedia Communication - Talk, View and Share

A new telephone has been born. Join the millions who have already discovered and become part of the Internet Telephony revolution. Now you can have unlimited long distance phone conversations with enhanced audio and video quality and a full suite of multimedia features at your finger tips. See the person you are connected with in real time motion -- Send voice mail -- Make direct calls -- Exchange files -- Create, edit and view documents in real-time with others from around the world.

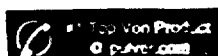
Call a regular phone

With Internet Phone Release 5, you can make Internet Phone calls from your computer to a regular telephone - made possible through integration with VocalTec's revolutionary Telephony Gateway technology.

Community Browser

The Community Browser serves as your virtual neighborhood in cyberspace. More than just text chat, the Community Browser lets you meet and speak with others around the world with similar interests.

Whether you're calling a family member, business associate or just looking for a new friend in another part of the world, Internet Phone will connect you in a way you never thought possible. Now more than ever, there's no need to worry about long distance. The whole world is only an Internet Phone call away.



Telephony Services

VocalTec Worldwide Virtual Network



Call regular telephones throughout the world without paying regular long distance rates.

Welcome to the VocalTec Worldwide Virtual Phone Network. Internet Phone 5's integration with VocalTec's revolutionary Telephony Gateway technology makes it possible to call a regular telephone over the internet.

Sign up with an Internet Service Provider (ITSP), and you'll be able to take advantage of tremendous savings by calling from your PC or phone to a regular phone anywhere in the world.

Click on the area of the map you wish to call, choose from a list of participating ITSP's, sign up for service and start saving on long distance calls.



Please Note: for optimal performance, a full-duplex sound card is recommended.

Calling Rate

<http://www.biztrans.com/Service/callingrate.htm>



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Coverage and Rates

Current Coverage and Calling Rate for limited time only

Country	City	Calling Rate	Country Code	Local Area Code
USA	Washington DC	\$0.10/first min. \$0.075/add. min.	1	301,703,202
	San Francisco	\$0.10/first min. \$0.075/add. min.	1	415
	San Jose	\$0.10/first min. \$0.075/add. min.	1	408
	Los Angeles	\$0.10/first min. \$0.075/add. min.	1	818,310,203
	other cities	\$0.12/min.	1	all other area code
China	Beijing	\$0.59/min.	86	10
	Hong Kong	\$0.30/min.	852	all area code
Taiwan	All Cities	\$0.22/min.	886	all area code
Korea	All Cities	\$0.22/min.	82	all area code
Lebanon	All Cities	0.45/min.	961	01,03,04,05,06,07,08,09

- Always dial country code, area code with phone number **no matter where you are**.
- To get the best performance, please use **headset** and **full duplex** sound card.
- All rates are subject to change. Biztrans will announce rate change and effective date to service subscribers via email. Please check back often to see the new support area and new rates.

WebPhone

<http://www.cybernex.net/webphone/>

WebPhone™



WebPhone is the professional, full featured Internet telephone with integrated voice-mail from NetSpeak. WebPhone provides telephone quality, real-time, full duplex, encrypted, point-to-point voice communication over the Internet and other TCP/IP based networks. Using WebPhone, you can talk to anyone, anywhere on earth without incurring any long distance charges.

Major Features

- Telephone Quality Audio
- Point-to-Point Calling via e-mail Addresses
- Full Duplex Voice Communications
- Integrated Voice-Mail System
- Complete Caller ID
- Personal WebPhone Number Directory
- 4 Lines for up to 4 Simultaneous Conversations
- Call Holding, Muting and Blocking
- Interactive Multimedia User Manual
- and much more

System Requirements

- Windows™ 3.1, Windows for Workgroups 3.x, WIN 95, WIN NT or Win-OS/2 Warp
- 80486 - 33MHz PC or faster
- 14.4 Kb Modem with error correction or faster Internet connection
- 5 MB of free disk space
- MCI compliant sound card with microphone & speakers
- Winsock 1.0 or greater compliant Winsock library
- SVGA display adaptor with 256 or more colors limitations

Limitations

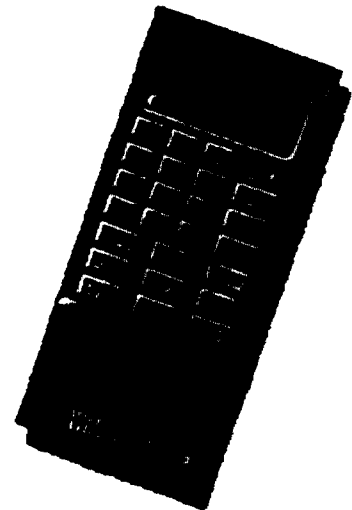
- 3 minutes of talk time allowed per call
- Only 1 line may be used
- A maximum of 3 Phone Directory entries allowed
- 2 received Voice-Mail Messages can be retained
- 1 custom OGM may be defined

You may remove these limitations by activating your WebPhone

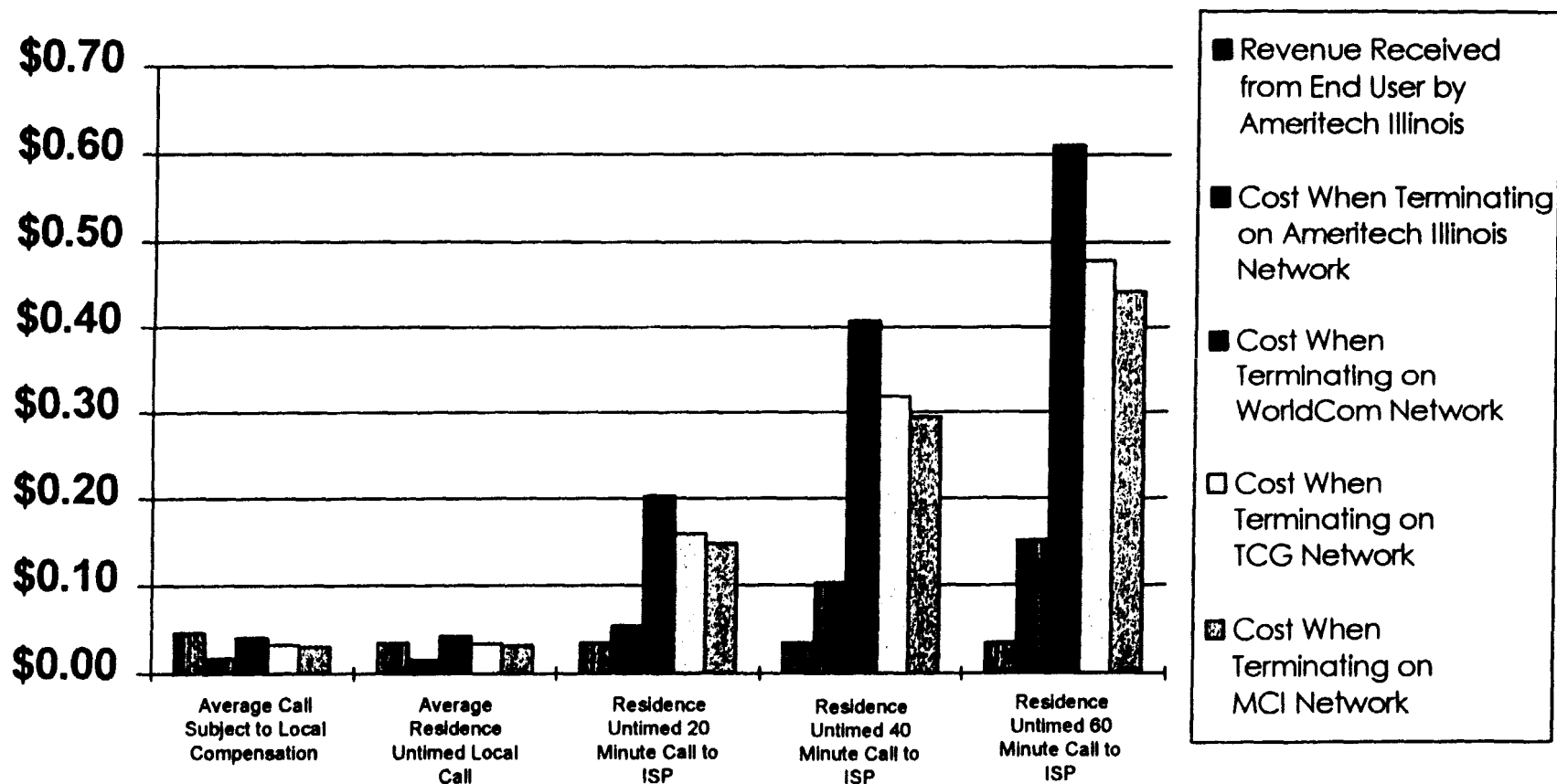
Get the WebPhone

VERSION 1.0 IS NOW AVAILABLE

Download the phone from: Cybernex, Inc. at <ftp.cybernex.net/webphone/>
Select the file WPSETUP.EXE (1,422,704 bytes)



End User Revenues Compared to Cost for Typical Local Voice Calls and Internet Calls



NOTICE
PROPRIETARY DATA
 NOT FOR USE OR DISCLOSURE OUTSIDE AMERITECH
 EXCEPT UNDER WRITTEN AGREEMENT

Exhibit No. 1.5, Page 1 of 1

Ill. C. C. Docket Nos. 97-0404, 97-0525, 97-0519
 Ameritech Illinois Ex. 1.0 (Panfil)

AMERITECH OPERATING COMPANIES

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ACCESS SERVICE

6. Switched Access Service (Cont'd)

6.8 Rate Regulations (Cont'd)

6.8.10 Application of Rates for Extension Service

Feature Group A Switched Access Service is available with extensions, i.e., additional terminations of the service at different building(s) in the same or a different LATA. Feature Group A extensions in the same LATA and same state are charged for under the Telephone Company's local and/or general exchange service tariffs. Feature Group A extensions in different LATAs are provided and charged for as Special Access Service. The rate elements which apply are: A Direct Analog Service Local Distribution Channel, Channel Mileage Terminations and Channel Mileage, if applicable, and Signaling Capability, if applicable. All appropriate monthly rates and nonrecurring charges set forth in 7.5.3 following will set forth in 7.5.3 following will apply. Such extensions are ordered as set forth in 5.2 preceding.

6.8.11 Message Unit Credit

Calls from end users to the seven digit local telephone numbers associated with Feature Group A Switched Access Service are subject to Telephone Company local and/or general exchange service tariff charges (including message unit and toll charges as applicable). The monthly bills rendered to customers for their Feature Group A Switched Access Service will include a credit to reflect any message unit charges collected from their end users under the Telephone Company's local and/or general exchange service tariffs. The credit will apply for recorded originating usage or for assumed originating usage, as appropriate for the FGA service provided. When the credit is applied on assumed usage, such credit will not exceed the assumed levels of usage set forth in 6.8.7 preceding. No message unit credit will apply for any terminating FGA access minutes. The message unit credit for originating access minutes is as set forth in 6.9.5 following.

6.8.12 Local Information Delivery Services

Calls over Switched Access in the terminating direction to certain community information services will be rated under the applicable rates for Switched Access Service as set forth in 6.9 following. In addition, the charges per call as specified under the Telephone Company's local and/or general exchange service tariffs, e.g., 976 (DIAL-IT) Network Services, will also apply.

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ACCESS SERVICE

6. Switched Access Service (Cont'd)

6.8 Rate Regulations (Cont'd)

6.8.10 Application of Rates for Extension Service

Feature Group A Switched Access Service is available with extensions, i.e., additional terminations of the service at different building(s) in the same or a different MSA. Feature Group A extensions in the same MSA and same state are charged for under the Telephone Company's local and/or general exchange service tariffs. Feature Group A extensions in different MSAs are provided and charged for as Special Access Service. The rate elements which apply are: A Direct Analog Service Local Distribution Channel, Channel Mileage Terminations and Channel Mileage, if applicable, and Signaling Capability, if applicable. All appropriate monthly rates and nonrecurring charges set forth in 7.5.3 following will set forth in 7.5.3 following will apply. Such extensions are ordered as set forth in 5.2 preceding.

6.8.11 Message Unit Credit

Calls from end users to the seven digit local telephone numbers associated with Feature Group A Switched Access Service are subject to Telephone Company local and/or general exchange service tariff charges (including message unit and toll charges as applicable). The monthly bills rendered to customers for their Feature Group A Switched Access Service will include a credit to reflect any message unit charges collected from their end users under the Telephone Company's local and/or general exchange service tariffs. The credit will apply for recorded originating usage or for assumed originating usage, as appropriate for the FGA service provided. When the credit is applied on assumed usage, such credit will not exceed the assumed levels of usage set forth in 6.8.7 preceding. No message unit credit will apply for any terminating FGA access minutes. The message unit credit for originating access minutes is as set forth in 6.9.5 following.

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